BRUSSARD DAVID F
Form 4
March 16, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BRUSSARD DAVID F

(Last) (First) (Middle)

20 CUSTOM HOUSE STREET

(Street)

BOSTON, MA 02110

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SAFETY INSURANCE GROUP INC [SAFT]

3. Date of Earliest Transaction (Month/Day/Year)
03/12/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, CEO and Chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/12/2009		F		5,438 (1)	D	$ 28.6501 (2)	147,307	D	
Common Stock								337,997	I	See (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BRUSSARD DAVID F 20 CUSTOM HOUSE STREET BOSTON, MA 02110	X		President, CEO and Chairman	

Signatures

/s/David F. Brussard	03/16/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents securities delivered in payment of a tax liability with respect to vesting of securities issued in accordance with Rule 16b-3.

(2) Represents the weighted average sale price of multiple open market same day sales with prices ranging from $28.21 to $28.90 per share. Full information regarding the number of shares sold at each separate price will be provided to the Securities and Exchange Commission, the issuer, or a security holder of the issuer upon request.

(3) Shares are owned by a trust of which the reporting person is a trustee.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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18,271,293

Office Lease

In October 2013, the Company entered into a net-lease for its current office space in Los Angeles, California. The lease will commence on May 1, 2014 and runs for seven years through April 30, 2021, with monthly lease payment escalating each year of the lease. In addition, to paying a deposit of $7,564 and the monthly base lease cost, the Company is required to pay pro rata share of operating expenses and real estate taxes. Under the terms of the lease, the Company will not be required to pay rent for the first five months but must remain in compliance with the terms of the lease to continue to maintain that benefit. In addition, the Company has a one-time option to terminate the lease in the 42th month of the lease. Minimum future lease payments under this lease at March 31, 2017, for the next five years are as follows:

2017 (Nine Months)	$	53,984
2018		74,540
2019		77,872
2020		81,336
2021		27,504
Total	$	315,236

NOTE 7 SUBSEQUENT EVENTS

On April 17, 2017, the Company received a staff deficiency letter from The Nasdaq Capital Market (Nasdaq) notifying the Company that it is no longer in compliance with the minimum stockholders equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires listed companies to maintain stockholders equity of at least $2.5 million. In the Company s Annual Report on Form 10-K for the period ended December 31, 2016, the Company reported stockholders equity of $(9,287,142), which is below the minimum stockholders equity required for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1). Further, as of April 17, 2017, the Company does not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations and does not comply with the Nasdaq Listing Rules. This notification has no immediate effect on the Company s listing on the Nasdaq Capital Market. Nasdaq has provided the Company with 45 calendar days, or until June 1, 2017, to submit a plan to regain compliance with the minimum stockholders equity standard. If the Company s plan to regain compliance is accepted, Nasdaq may grant an extension of up to 180 calendar days from the date of the notification letter to evidence compliance. The Company intends to promptly evaluate various courses of action to regain compliance and to timely submit a plan to Nasdaq to regain compliance with the Nasdaq minimum stockholders equity standard. However, there can be no assurance that the Company s plan will be accepted or that if it is, the Company will be able to regain compliance. If the Company s plan to regain compliance with the minimum stockholders equity standard is not accepted or if it is and the Company does not regain compliance within 180 days from the date of the notification letter or if the Company fails to satisfy another Nasdaq requirement for continued listing, Nasdaq staff could provide notice that the Company s common stock will become subject to delisting. In such event, Nasdaq rules permit the Company to appeal the decision to reject its proposed compliance plan or any delisting determination to a Nasdaq Hearings Panel.

On April 18, 2017, the Company entered into a securities purchase agreement (the Purchase Agreement) with certain institutional investors for the sale of an aggregate of 3,800,000 shares of the Company s common stock, at a purchase price of $0.70 per share, and warrants to purchase 2,280,000 shares of common stock, at an exercise price of $0.83 per share, subject to adjustment as provided under the terms of the warrants. The warrants will be exercisable commencing six months from the date of issuance for a period expiring five years after the date six months after the date of issuance. The closing of the sales of the shares and warrants occurred on April 21, 2017.

The shares of common stock will be issued in a registered direct offering pursuant to a prospectus supplement filed with the Securities and Exchange Commission on April 19, 2017, in connection with a takedown from the Registration Statement on Form S-3 (File No. 333-198569), which was declared effective by the Securities and Exchange Commission on January 6, 2015.

Pursuant to a registration rights agreement (the Registration Rights Agreement) entered into between the Company and the investors, the Company agreed to register the resale of the shares of common stock underlying the warrants, on a Form S-1 registration statement to be filed with the Securities and Exchange Commission (the SEC) within 45 days following the date of the offering (the Filing Date) and to cause the registration statement to be declared effective within 75 days following the date of the offering (or in the event of a full review by the SEC, the 105th calendar day following the date of the offering).

Pursuant to a placement agency agreement between the Company and Aegis Capital Corp. (Aegis), the Company retained Aegis as the exclusive placement agent for the offering of shares and warrants and paid Aegis a fee of $150,733 (equal to 5.67% of the gross proceeds) in connection with the offering. The Company also agreed to issue to Aegis, on the closing date, a warrant (the Agent s Warrant) to purchase 57,000 shares of common stock at an exercise price equal to $0.77 per share. The Agent s Warrant issued to Aegis will be exercisable commencing upon issuance for a period expiring five years from the effective date of the offering.

On May11, 2017, the Company entered into an agreement (the Payoff Letter) with DBD, under which the Company and DBD agreed to a value at which the Company may prepay and terminate all borrowings outstanding with DBD pursuant to the ARRSSPA. As of April 30, 2017, the Company had an outstanding balance of approximately $15,763,240 under these borrowings. Under the Payoff Letter, if payment is made on or prior to August 15, 2017, DBD and Fortress agree to accept (i) $15,763,240, with accrued interest through the date at which the borrowings outstanding are repaid, and (ii) five (5%) percent of the gross revenues received, exclusively from revenue generated from portfolios the Company currently owns, by the Company during the twelve (12) month period following payment of such amount, in satisfaction of all outstanding obligations by the Company to DBD and Fortress. In the event that the Company does not satisfy the terms of the Payoff Letter on or prior to August 15, 2017, the Payoff Letter will terminate and the Company will remain obligated under the current agreements with DBD and Fortress.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This report on Form 10-Q (Report) and other written and oral statements made from time to time by us may contain so-called forward-looking statements, all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as expects, plans, will, forecasts, projects, intends, estimates, and other words of similar meaning. One can identify them by the fact that they do not strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

Overview

We acquire patents and patent rights from owners or other ventures and seek to monetize the value of the patents through litigation and licensing strategies, alone or with others. Part of our acquisition strategy is to acquire or invest in patents and patent rights that cover a wide-range of subject matter which allows us to seek the benefits of a diversified portfolio of assets in differing industries and countries. Generally, the patents and patent rights that we seek to acquire have large identifiable targets who are or have been using technology that we believe infringes our patents and patent rights. We generally monetize our portfolio of patents and patent rights by entering into license discussions, and if that is unsuccessful, initiating enforcement activities against any infringing parties with the objective of entering into comprehensive settlement and license agreements that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms. Our strategy has been developed with the expectation that it will result in a long-term, diversified revenue stream for the Company. As of March 31, 2017, we owned 345 patents and had economic rights to over 10,000 additional patents, both of which include U.S. patents and certain foreign counterparts, covering technologies used in a wide variety of industries.

Our principal office is located at 11100 Santa Monica Blvd., Suite 380, Los Angeles, CA 90025. Our telephone number is (703) 232-1701.

We were incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. On December 7, 2011, we changed our name to American Strategic Minerals Corporation and were engaged in exploration and potential development of uranium and vanadium minerals business. During June 2012, we discontinued our minerals business and began to invest in real estate properties in Southern California. In November 2012, we discontinued our real estate business.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated condensed financial statements and the notes thereto included in the Company s most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

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Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 605, Revenue Recognition . Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured. In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company.

These rights typically include some combination of the following: (i) the grant of a non-exclusive, perpetual license to use patented technologies owned or controlled by the Company, (ii) a covenant-not-to-sue, (iii) the dismissal of any pending litigation.

The intellectual property rights granted typically are perpetual in nature. Pursuant to the terms of these agreements, the Company has no further obligation with respect to the grant of the non-exclusive licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on the Company s part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, and when all other revenue recognition criteria have been met.

The Company also considers the revenue generated from its settlement and licensing agreements as one unit of accounting under ASC 605-25, Multiple-Element Arrangements as the delivered items do not have value to customers on a standalone basis, there are no undelivered elements and there is no general right of return relative to the license. Under ASC 605-25, the appropriate recognition of revenue is determined for the combined deliverables as a single unit of accounting and revenue is recognized upon delivery of the final elements, including the license for past and future use and the release.

Also, due to the fact that the settlement element and license element for past and future use are the Company s major central business, the Company presents these two elements as one revenue category in its statement of operations. The Company does not expect to provide licenses that do not provide some form of settlement or release.

Revenue from newly issued patent licenses accounted for 0% and 0% of the Company s revenues for the three months ended March 31, 2017 and March 31, 2016, respectively.

Accounting for Acquisitions

In the normal course of its business, the Company makes acquisitions of patent assets and may also make acquisitions of businesses. With respect to each such transaction, the Company evaluates facts of the transaction and follows the guidelines prescribed in accordance with ASC 805 Business Combinations to determine the proper accounting treatment for each such transaction and then records the transaction in accordance with the conclusions reached in such analysis. The Company performs such analysis with respect to each material acquisition within the consolidated group of entities.

Intangible Asset - Patents

Intangible assets include patents purchased and patents acquired in lieu of cash in licensing transactions. The patents purchased are recorded based on the cost to acquire them and patents acquired in lieu of cash are recorded at their fair market value. The costs of these assets are amortized over their remaining useful lives. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. The Company did not record an impairment charge to its intangible assets during the three months ended March 31, 2017, compared to an impairment charge associated with the end of life of two of the Company s portfolios during the three months ended March 31, 2016 in the amount of $373,195.

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Goodwill

When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company s reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit s goodwill and if the carrying value of the reporting unit s goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated condensed statement of operations. The Company performs the annual testing for impairment of goodwill at the reporting unit level during the quarter ended September 30.

For the three months ended March 31, 2017 and March 31, 2016, the Company recorded no impairment charge to its goodwill.

Other Intangible Assets

In accordance with ASC 350-30-65, Intangibles - Goodwill and Others , the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following: (1) significant underperformance relative to expected historical or projected future operating results; (2) significant changes in the manner of use of the acquired assets or the strategy for the overall business; and (3) significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model.

For the three months ended March 31, 2017 and March 31, 2016, the Company recorded no impairment charge to its other intangible assets.

Impairment of Long-lived Assets

The Company accounts for the impairment or disposal of long-lived assets according to the ASC 360 Property, Plant and Equipment . The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future

cash flows is less than the carrying amount of the asset.

The Company did not record any impairment charges on its long-lived assets during the three months ended March 31, 2017 and March 31, 2016.

Stock-based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award. As stock-based compensation expense is recognized based on awards expected to vest, forfeitures are also estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the three months ended March 31, 2017, the expected forfeiture rate was 12.75%, which resulted in an expense of $29,135 recognized in the Company s compensation expenses. For the three months ended March 31, 2016, the expected forfeiture rate was 2.65%, which resulted in an expense of $14,785 recognized in the Company s compensation expenses. The Company will continue to re-assess the impact of forfeitures if actual forfeitures increase in future quarters.

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Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third parties, compensation expense is determined at the measurement date. The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

Liquidity and Capital Resources

At March 31, 2017, we had approximately $0.5 million in cash and cash equivalents and a working capital deficit of $8.1 million.

Based on the Company s current revenue and profit projections, management is uncertain that the Company s existing cash and accounts receivables will be sufficient to fund its operations through at least the next twelve months, raising substantial doubt regarding the Company s ability to continue operating as a going concern. If we do not meet our revenue and profit projections or the business climate turns negative, then we will need to:

- raise additional funds to support the Company s operations; however, there is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted; and

- review strategic alternatives.

If adequate funds are not available, we may be required to curtail our operations or other business activities or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain technologies or potential markets.

Results of Operations

For the Three Months Ended March 31, 2017 and 2016

We generated revenues of $78,137 during the three months ended March 31, 2017 as compared to $2,059,676 during the three months ended March 31, 2016. For the three months ended March 31, 2017, this represented a decrease of $1,981,539 or 96%. Revenue for the three months ended March 31, 2017 were derived primarily from recurring royalties from the Company s Medtech portfolios and revenue for the three months ended March 31, 2016 were derived primarily from the issuance of one-time patent licenses, with the balance of the revenue coming from recurring royalties.

For the three months ended March 31, 2017, the Company received no revenues from newly-issued settlement and license agreements and for the three months ended March 31, 2016, the issuance of two new licenses accounted for approximately 93% of the Company s total revenues and 100% of newly-issued license revenues.

The Company expects that a significant portion of its future revenues will be based on one-time grants of similar non-recurring, non-exclusive, non-assignable licenses to a relatively small number of entities and their affiliates. Further, with the expected small number of firms with which the Company enters into license agreements, and the amount and timing of such license agreements, the Company also expects that its revenues may be highly variable from one period to the next.

Direct cost of revenues during the three months ended March 31, 2017 amounted to $451,762 and for the three months ended March 31, 2016, the direct cost of revenues amounted to $2,639,976. For the three months ended March 31, 2017, this represented a decrease of $2,188,214 or 83%. Direct costs of revenue include contingent payments to patent enforcement legal costs, patent enforcement advisors and inventors as well as various non-contingent costs associated with enforcing the Company s patent rights and otherwise in developing and entering into settlement and licensing agreements that generate the Company s revenue. The decline in the direct cost of revenues was associated with no contingent counsel expenses and lower trial preparation expert expenses for the three months ended March 31, 2017, relative to the three months ended March 31, 2016 when two of the Company s subsidiaries, Dynamic Advances and Signal, were preparing for trials early in the second quarter of 2016.

We incurred other operating expenses of $2,436,063 for the three months March 31, 2017 and $4,335,719 for the three months March 31, 2016. For the three months ended March 31, 2017, this represented a decrease of $1,899,656 or 44%. These expenses primarily consisted of amortization of patents, general expenses, compensation to our officers, directors and employees, professional fees and consulting incurred in connection with the day-to-day operation of our business. Total other operating expenses declined for the three months ended March 31, 2017 relative to the same period in the prior year primarily as a result of declines in expenses associated with patent amortization and consulting costs and a patent impairment charge in the amount of $373,195 for the three months ended March 31, 2016 compared to no impairment charge for the three months ended March 31, 2017.

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The operating expenses consisted of the following:

	Total Other Operating Expenses	
	For the Quarter Ended March 31, 2017	For the Quarter Ended March 31, 2016
Amortization of patents(1)	$ 705,958	$ 2,025,899
Compensation and related taxes (2)	1,085,546	1,033,346
Consulting fees (3)	(28,779)	280,776
Professional fees (4)	425,686	405,493
Other general and administrative (5)	247,652	217,010
Patent Impairment (6)	-	373,195
Total	$ 2,436,063	$ 4,335,719

Non-cash other operating expenses for the three months ended March 31, 2017 and March 31, 2016 include non-cash other operating expenses totaling $748,862 and $2,951,779, respectively. Non-cash operating expenses consisted of the following:

	Non-Cash Operating Expenses	
	For the Quarter Ended March 31, 2017	For the Quarter Ended March 31, 2016
Amortization of patents (1)	$ 705,958	$ 2,025,899
Compensation and related taxes (2)	181,337	424,807
Consulting fees (3)	(140,021)	117,691
Professional fees (4)	108	8,535
Other general and administrative (5)	1,480	1,652
Patent Impairment (6)	-	373,195
Total	$ 748,862	$ 2,951,779

(1) Amortization of patents: Amortization expenses were $705,958 and $2,025,899 during the three months ended March 31, 2017 and 2016, respectively, a decrease of $1,319,941 or 65%. The decrease results from the expiration of some of the Company s patents and lower book value associated with remaining patent portfolios following impairment charges taken over the last twelve months to some of the Company s portfolios. When the Company acquires patents and patent rights, the Company capitalizes the cost of those assets and amortizes those costs over the remaining useful lives of the assets. All patent amortization expenses are non-cash expenses.

(2) Compensation expense and related taxes: Compensation expense includes cash compensation and related payroll taxes and benefits, and non-cash equity compensation expenses. For the three months ended March 31, 2017 and 2016, respectively, compensation expense and related payroll taxes were $1,085,546 and $1,033,346, an increase of $52,200 or 5%. The increase in compensation primarily reflects both a higher average number of employees during the three months ended March 31, 2017 compared to the three months ended March 31, 2016 and the termination of employees and payout of accrued paid-time-off during the three months ended March 31, 2017, offset by a decrease in non-cash equity-based compensation expenses. During the three months ended March 31, 2017 and 2016, we recognized non-cash employee and board equity-based compensation of $181,337 and $424,807, respectively. The decline in non-cash equity-based compensation expenses during the three months ended March 31, 2017 compared to the same period in 2016 resulted from the termination of options in 2016 held by former employees and board members and the completion of vesting of certain option grants issued when the Company s stock was higher.

(3) Consulting fees: For the three months ended March 31, 2017 and 2016, we incurred consulting fees of $(28,779) and $280,776, respectively, a decrease of $309,555 or 110%. Consulting fees include both cash and non-cash related consulting fees primarily for investor relations and public relations services as well as other consulting services. The decline in consulting fees for the three months ended March 31, 2017 compared to the same period in the prior year was primarily the result of a credit associated with the mark to market of an option grant issued to a consultant, who no longer derives a majority of his compensation from the Company and the Company therefore must mark to market his option grant on a quarterly basis. Given the considerable decline in the Company s stock price since the issuance of the grant, this resulted in a sizable credit. During the three months ended March 31, 2017 and 2016, we recognized non-cash equity-based consulting fees of $(140,021) and $117,691, respectively.

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(4) Professional fees: For the three months ended March 31, 2017 and 2016, professional fees were $425,686 and $405,493, respectively, an increase of $20,193 or 5%. Professional fees primarily reflect the costs of professional outside accounting fees, legal fees and audit fees. The increase in professional fees for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 related to professional outside legal, accounting and audit fees resulting from costs associated with closing the Fortress restructuring transaction and the issuance of shares pursuant to the ATM offering. During the three months ended March 31, 2017 and 2016, we recognized non-cash equity based consulting fees of $108 and $8,535, respectively.

(5) Other general and administrative expenses: For the three months ended March 31, 2017 and 2016, other general and administrative expenses were $247,652 and $217,010, respectively, an increase of $30,642 or 14%. General and administrative expenses reflect the other non-categorized operating costs of the Company and include expenses related to being a public company, rent, insurance, technology and other expenses incurred to support the operations of the Company. The increase in general and administrative costs in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 resulted from an increase in these expenses, including opening offices in Germany and Luxembourg, initiating efforts in Asia and in support of the expansion of the operations of the Company and number of patents owned or managed in different world-wide jurisdictions.

(6) Patent impairment: The Company recorded no impairment charges to its intangible assets during the three months ended March 31, 2017. However, based on the Company s determination that the fair value of two of the Company s portfolios were less than the carrying amounts at March 31, 2016, the Company took an impairment charge in the carrying value of the two portfolios in the amount of $373,195 for the three months ended March 31, 2016.

Operating Loss

We reported operating income (loss) from continuing operations of $(2,809,688) for the three months ended March 31, 2017 and operating income (loss) of $(4,916,019), for the three months ended March 31, 2016. For the three months ended March 31, 2017, this represented a reduction in the operating loss in the amount of $2,106,331. The decreased loss from operations during the three months ended March 31, 2017 relative to the same period in 2016 primarily resulted from decreases in cost of revenue, patent amortization and consulting fees, offset by lower revenue.

Other Expenses

Total other income (expenses) was $(867,594) for the three months ended March 31, 2017 and $(1,002,445) for the three months ended March 31, 2016. For the three months ended March 31, 2017, this represented a decrease in other income (expenses) of $134,848. The principal component of the increase in the other income (loss) for the three months ended March 31, 2016 was a decrease in interest expenses, offset by higher foreign exchange losses and warrants expenses.

Income Tax Benefit

We recognized no income tax benefit for the three months ended March 31, 2017 following a decision to record a full valuation allowance for the Company s deferred tax asset as of December 31, 2016. For the three months ended March 31, 2016, the Company recognized an income tax benefit in the amount of $2,025,048.

Net Loss Available to Common Shareholders

We reported net income (loss) of $(3,606,646) for the three months ended March 31, 2017 and net income (loss) of $(3,893,413) for the three months ended March 31, 2016. For the three months ended March 31, 2017, this represented a reduction in the net loss in the amount of $286,767.

Non-GAAP Reconciliation

Non-GAAP earnings as presented in this Annual Report is a supplemental measure of our performance that is neither required by, nor presented in accordance with, U.S. generally accepted accounting principles (US GAAP). Non-GAAP earnings is not a measurement of our financial performance under US GAAP and should not be considered as alternative to net income, operating income, or any other performance measures derived in accordance with US GAAP, or as alternative to cash flow from operating activities as a measure of our liquidity. In addition, in evaluating Non-GAAP earnings, you should be aware that in the future we will incur expenses or charges such as those added back to calculate Non-GAAP earnings. Our presentation of Non-GAAP earnings should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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Non-GAAP earnings has limitations as an analytical tool, and you should not consider it in isolation, or as substitutes for analysis of our results as reported under US GAAP. Some of these limitations are (i) it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) they do not reflect changes in, or cash requirements for, our working capital needs, (iii) it does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Non-GAAP earnings does not reflect any cash requirements for such replacements, (v) it does not adjust for all non-cash income or expense items that are reflected in our statements of cash flows, and (vi) other companies in our industry may calculate this measure differently than we do, limiting its usefulness as comparative measures.

We compensate for these limitations by providing specific information regarding the US GAAP amounts excluded from such non-GAAP financial measures. We further compensate for the limitations in our use of Non-GAAP financial measures by presenting comparable US GAAP measures more prominently.

We believe that Non-GAAP earnings facilitates operating performance comparisons from period to period by isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present Non-GAAP earnings because (i) we believe that this measure is frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use Non-GAAP earnings internally as benchmark to compare our performance to that of our competitors.

The Company uses a Non-GAAP reconciliation of net income (loss) and earnings (EPS reconciliation loss) per share in the presentation of financial results here. Management believes that this presentation may be more meaningful in analyzing our income generation.

On a Non-GAAP basis, the Company s recorded a Non-GAAP loss of $(2,423,244) for the three months ended March 31, 2017 compared to a Non-GAAP loss in the amount of $(2,359,650) for the three months ended March 31, 2016. The details of those expenses and non-GAAP reconciliation of these non-cash items are set forth below:

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	Non-GAAP Reconciliation	
	For the Quarter Ended March 31, 2017	For the Quarter Ended March 31, 2016
Net loss attributable to Marathon Patent Group, Inc. common shareholders	(3,606,646)	(3,893,413)
Non-GAAP		
Amortization of intangible assets	705,958	2,025,899
Equity-based compensation	41,424	551,033
Impairment of intellectual property	-	373,195
Change in earn out liability	(13,879)	1,342
Warrant income (expense)	213,208	-
Non-cash interest expense	235,211	605,690
Deferred tax (benefit) / tax expense	-	(2,025,048)
Other	1,480	1,652
Non-GAAP net income (loss)	(2,423,244)	(2,359,650)

The below is a reconciliation to our US GAAP loss per common share, basic and diluted.

	Non-GAAP Reconciliation			
	For the Quarter Ended March 31, 2017		For the Quarter Ended March 31, 2016	
Non-GAAP net loss	$	(2,423,244)	$	(2,359,650)
Denominator				
Weighted average common shares - Basic and Diluted		19,059,559		14,967,141
Non-GAAP loss per common share:				
Non-GAAP loss - Basic and Diluted	$	(0.13)	$	(0.16)
The below is a reconciliation to our US GAAP loss per common share - basic and diluted:				
Net loss attributable to Common Shareholders	$	(3,606,646)	$	(3,893,413)
Denominator				
Weighted average common shares - Basic and Diluted		19,059,559		14,967,141
GAAP earnings (loss) per common share:				
GAAP earnings (loss) - Basic and Diluted	$	(0.19)	$	(0.26)

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At March 31, 2017, the Company s cash and cash equivalents balances totaled $493,452 compared to $4,998,314 at December 31, 2016. The decrease in the cash balances of $4,504,861 resulted primarily from cash used in operations as well as posting of bonds for German litigations, repayment of accrued accounts payable and increase in prepaid expenses.

Net working capital increased by $6,837,161 to $(8,102,423) at March 31, 2017 from $(14,939,584) at December 31, 2016. The increase in net working capital resulted primarily from the restructuring of the Fortress debt agreement, whereby the Company and Fortress agreed to a new amortization schedule for the repayment of the debt. Under the new amortization schedule, the Company will pay interest-only for a period of 12 months from January 10, 2017 and then pay principal over the following thirty months. The effect of this was that short-term principal

repayment obligations as of December 31, 2016 were moved to long-term liabilities upon the close of the restructuring on January 10, 2017.

Cash provided (used) in operating activities was $(4,668,501) during the three months ended March 31, 2017 and cash provided (used) in operating activities of $113,169 during the three months ended March 31, 2016.

Cash provided (used in) by investing activities was $(2,097) for both of the three months ended March 31, 2017 and for the three months ended March 31, 2016. The use of cash during the three months ended March 31, 2016 and the three months ended March 31, 2015 was solely related to the purchases of property, equipment and other non-patent intangible assets.

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Cash provided (used in) by financing activities was 167,292 during the three months ended March 31, 2017 compared to cash used in financing activities in the amount of $(1,248,440) during the three months ended March 31, 2016. Cash provided by financing activities for the three months ended March 31, 2017 resulted from proceeds from the sale of common stock issued pursuant to an ATM offering, offset by payments made for the acquisition of patents and other intangible assets. Cash used in financing activities for the three months ended March 31, 2016 resulted from primarily from the repayment of Fortress debt.

At March 31, 2017, we had approximately $0.5 million in cash and cash equivalents and a working capital deficit of approximately $8.1 million.

Based on the Company s current revenue and profit projections, management is uncertain that the Company s existing cash and accounts receivables will be sufficient to fund its operations through at least the next twelve months, raising substantial doubt regarding the Company s ability to continue operating as a going concern. If we do not meet our revenue and profit projections or the business climate turns negative, then we will need to:

- raise additional funds to support the Company s operations; provided, however, there is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted; and

- review strategic alternatives.

If adequate funds are not available, we may be required to curtail our operations or other business activities or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain technologies or potential markets.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder s equity or that are not reflected in our consolidated condensed financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

We conducted an evaluation of the effectiveness of our disclosure controls and procedures (Disclosure Controls), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as of March 31, 2017, the end of the period covered by this Annual Report on Form 10-K. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, because of material weakness in our internal control over financial reporting, described below in Management s Report on Internal Control Over Financial Reporting, our disclosure controls and procedures were not effective as of March 31, 2017, such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework in the 2013 COSO framework. During our assessment of the effectiveness of internal control over financial reporting as of March 31, 2017, management identified a material weakness with respect to the financial reporting and close process, resulting from a lack of segregation of duties within accounting functions and evidence of control review. Accordingly, management concluded that our internal controls over financial reporting were not effective as of March 31, 2017.

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Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

We believe that the foregoing steps if implemented, will help remediate the material weakness identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate. Due to the nature of this material weakness in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company s financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting since the Company is a smaller reporting company under the rules of the SEC.

Changes in Internal Controls.

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of our business of patent monetization, it is generally necessary for us to initiate litigation in order to commence the process of protecting our patent rights. Such litigation is expected to lead to a monetization event. Accordingly, we are, and in the future, expect to become, a party to ongoing patent enforcement related litigation alleging infringement by various third parties of certain patented technologies owned and/or controlled by us. Litigation is commenced by and managed through the subsidiary that owns the related portfolio of patents or patent rights. In connection with our enforcement activities, we are currently involved in multiple patent infringement cases. As of March 31, 2017, the Company is involved into a total of 15 lawsuits against defendants in the following jurisdictions:

United States	
District of Delaware	5
Central District of California	1
Eastern District of Michigan	1
Foreign	
Germany	8

On November 14, 2016, Symantec Corporation filed a complaint against Clouding Corp., a wholly-owned subsidiary of the Company, the Company and other unaffiliated parties in the Superior Court of the State of California for the County of Los Angeles, Unlimited Jurisdiction. Symantec Corporation asserted claims against Clouding Corp. and the Company of negligent misrepresentation, fraudulent misrepresentation, intentional interference with contractual relations, violation of Business & Professions Code Section 17200, and for an accounting. The Court has sustained in its entirety Clouding Corp.   s demurrer to Symantec Corporation   s complaint. Neither Clouding Corp. nor the Company were parties to the agreement on which the claims are based. Clouding Corp. plans to vigorously defend against such claims and is exploring counter-claims and repayment of the Company   s legal fees.

On October 13, 2016, Liner LLP (Liner   ), a law firm, filed an arbitration request seeking payment of outstanding legal fees invoiced by Liner to Signal IP, Inc., a wholly-owned subsidiary of the Company. The Company is preparing counter-claims against Liner for its breach of the engagement agreement and abject failure in its representation of Signal IP, Inc. The Company plans to vigorously defend against such claims and is preparing counter-claims and will seek repayment of the Company   s legal fees.

Other than as disclosed herein, we know of no other material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation other than in the normal course of business.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Certain officers of the Company have received stock grants and / or options in 3D Nanocolor Corp. (3D Nano), a wholly-owned subsidiary of the Company, pursuant to 3D Nano s 2016 Equity Incentive Plan.

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Item 6. Exhibits.

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.ins	XBRL Instance Document**
101.sch	XBRL Taxonomy Schema Document**
101.cal	XBRL Taxonomy Calculation Document**
101.def	XBRL Taxonomy Linkbase Document**
101.lab	XBRL Taxonomy Label Linkbase Document**
101.pre	XBRL Taxonomy Presentation Linkbase Document**

* Furnished herewith

** Filed herein

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 15, 2017

MARATHON PATENT GROUP, INC.

By: /s/ Doug Croxall
Name: Doug Croxall
Title: Chief Executive Officer and Chairman
(Principal Executive Officer)

By: /s/ Francis Knuettel II
Name: Francis Knuettel II
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)